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SUBJECT: ARGENTINE FARM STRIKE SUSPENDED

REF: Buenos Aires 0665 and previous

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Summary  
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¶1. (SBU) Under heavy fire from other sectors and political supporters in provincial governments, Argentina's major farm groups announced May 19 that they are again suspending their ten-week strike in order to hold discussions with the GoA. This latest suspension of the on-again, off-again strike comes earlier than previously planned and will take effect early on May 21. The farm groups are continuing with their plans to hold a large demonstration on May 25, Argentina's Independence Day, in Rosario, the second largest city of Argentina and the center of the Argentine soybean region. The planned demonstration will conflict with (and possibly overshadow) the official ceremony planned by President Cristina Fernandez de Kirchner in Salta on the same day, where she will also celebrate the fifth anniversary of the start of the first Kirchner administration. The timing of the demonstration puts heavy pressure on the GoA to reach an agreement rapidly. End Summary.

¶2. (U) The farm organizations leading the agricultural strike announced on May 19 that they will suspend the strike in order to enter into discussions with the GoA. The truce will start just after midnight early on May 21, when producers will resume marketing grains and oilseeds for export. The farm groups had been holding out for an explicit signal that the GoA is prepared to modify the variable export tax on soybeans. In the face of continued refusal by the GoA to hold discussions during an ongoing strike, however, they agreed to suspend the strike. Discussions with high-level officials in the GoA will reportedly start on Wednesday, May 21, after the strike is lifted.

¶3. (SBU) The farm groups have been pressured to lift the strike since they announced its continuation on May 15. The farm sector's decision to prolong their action caught many by surprise given that it came in the wake of a more conciliatory speech by President Cristina Fernandez de Kirchner on May 14, when she called for resumed dialogue (Buenos Aires 0652). Other important sectors joined the call for resumed dialogue over the weekend, when a joint statement calling for suspension of the strike was issued by the influential Industrial Union of Argentina (UIA), Association of Argentine Banks (ADEBA), Argentina Chamber of Construction, Argentine Chamber of Commerce, and the Board of Commerce of Buenos Aires. Cordoba Governor Juan Schiaretti and Santa Fe Governor Hermes Binner, two of the strongest supporters of the farm sector and leaders of two of the most important agricultural provinces, also called for producers to suspend the farm strike and meet with the GoA. The Catholic Church has also called on both sides to resume talks.

¶4. (SBU) Press coverage of the decision to extend the strike was generally negative, adding to the pressure to enter into discussions. While press reports had been generally sympathetic to

the demands of the farm groups and critical of the GoA, the press changed its tone after the May 15 extension of the farm strike. This shift in coverage appears to be mainly due to the strong public desire to see an end to the strike, as indicated in a number of public opinion polls published at the same time as the extension of the strike, although one local media source claims that an agreement between the largest media chain and the GoA to patch up their differences was also a factor in the shift in coverage.

15. (SBU) Local contacts report that the farm strike has been highly effective in stopping movement of grains and oilseeds to the major processing centers and ports. Soybean processors, in particular, have been drawing down stocks held at their port processing facilities in order to stay in operation. Contacts in the industry estimate that they would have had to shut down their operations (soybeans and soybean products are Argentina's largest export items) within a week to ten days without the strike's suspension. The continued strike also exacerbated the weakening of the Argentine peso in recent weeks. The strike contributed to the public's perception of increasing economic uncertainty, driving ordinary Argentines to seek safety in the dollar and reduce peso holdings. Simultaneously, the strike reduced exports and lessened the inflow of foreign currency into the country. This combined impact on both demand and supply of dollars required much greater intervention by the Argentine Central Bank to stabilize the peso (by selling dollars locally).

16. (SBU) The GoA has taken some steps to address one of the concerns of the farm groups, the failure of the GoA to implement agreements on wheat and beef negotiated in April during the last truce in the farm strike. The GoA has announced that it will accept registrations for 100,000 tons of wheat to export to Brazil. It also started to approve beef export registrations on May 15, although export levels continue to be well below normal. These represent a step forward, although overall exports of beef and wheat continue to be severely restricted.

17. (SBU) COMMENT: The suspension of the strike is a positive step for both parties and opens up the opportunity to reach an agreement, although up to now the GoA has refused to discuss any modification of the variable export tax on soybeans, which leads the list of farm sector complaints. The falling popularity of the Administration (Buenos Aires 0681) and increased economic cost of the farm strike is, however, increasing pressure to negotiate. The farm protest demonstration on May 25, Argentina's Independence Day, in Rosario, which is the center of the Argentine soybean region, has increased pressure to reach an agreement rapidly. The planned demonstration will conflict with (and possibly overshadow) the official ceremony led by President Cristina Kirchner in Salta on the same day, where she will also celebrate the fifth anniversary of the start of the first Kirchner administration. The mayor of Rosario, a socialist, gave a hard hitting speech May 19 making clear he sees an opportunity to make a lot of political "hay" this weekend. Nonetheless, if previous GOA/farm sector meetings are any indication, a definitive resolution by the 25th is hard to imagine. Both sides remain bitter. We are told that Nestor Kirchner still believes the farm sector "betrayed" the government in earlier negotiations, while at least some of the farm sector leaders feel the same way about the government. We are told the outlines of an agreement have been discussed between negotiators, but confidence will clearly need to be created to reach an accord. END COMMENT.

WAYNE